

INFORMATION REPORT INFORMATION REPORT

CENTRAL INTELLIGENCE AGENCY

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SOURCE EVALUATIONS ARE DEFINITIVE. APPRAISAL OF CONTENT IS TENTATIVE.

1. At the beginning of April 1955, an iron and steel conference was held in Moscow, attended by representatives of the USSR, Poland, Czechoslovakia, Hungary, and Rumania. The chairman of the conference, who played a dominating role throughout, was the deputy director of the Soviet Research Institute for Iron and Steel.¹ Poland was represented by three technical experts, Czechoslovakia by two, Hungary by one. The sole Rumanian delegate was a nonentity who contributed little or nothing to the work of the conference. 25X1
2. The objectives of the conference were to discuss the state of the iron and steel industry in the participating countries; the problems facing the industry and their solution; future planning; and coordination among the participating countries.
3. From the point of view of the Satellite participants, by far the most important aspect of the conference was the stress placed by the Soviet chairman on the need for a complete reorganization of the technical direction of the iron and steel industry. The chairman made the following points concerning the reorganization:
 - a. The Communist policy of replacing existing technicians by men chosen primarily for political rather than technical qualifications had serious disadvantages:
 - (1) The new men had neither the technical qualifications nor the experience required for the sound development of the industry. On the other hand, the deposed technicians had been driven into a role of passive resistance. Orders issued from above were carried out blindly and to the letter, although the experienced technicians often knew that they were not only impracticable but actually harmful to the industry. Nobody dared criticize for fear of accusations of disobedience and sabotage.

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- (2) The desire of the new men to prove their ability led to unrealistic planning, nonsensical attempts at overproduction, wholesale falsification of statistics, and competition and rivalry between individual iron and steel works. Under these circumstances, the real technicians and the workers lost all pride in their works. They could only look with contempt at the objectives set them and the still more absurd attempts to prove that they had been achieved.

These policies must cease. The technical direction of the industry at all important levels must be entrusted to the real technicians, whose concern would be the development of the industry along sound technical lines, rather than the pursuit of propagandist programs. To this end, technicians must be given the maximum possible freedom from political and other extraneous controls.

- b. Planning in the future should be realistic and based primarily on the capacities of the individual works. There should be no further attempts to achieve impossible programs for propaganda purposes. Forced production and, in particular, demands for record figures, with the inevitable stoppage for repairs, must cease. The primary objective should be a steady, continuous level of production. An end must also be put to the practice of false statistics. True statistics, even if they show a setback, are of infinitely greater value than false ones reflecting unreal progress. In particular, the inclusion of rejects in production statistics must cease. It is more important for the percentage of rejects to drop.
- c. Objective criticism is not only healthy but essential. It will not be offered by politicians, who have no understanding of the technical problems involved, nor can it always be expected from the employees of individual works. It is most likely to be expressed by competent outsiders, and the most constructive and objective criticism can be expected from Western experts. For this reason, invitations to Western experts to visit Eastern iron and steel works as guests of their managements should be encouraged. The Western experts should be given every opportunity to inspect the works and to investigate their methods and labor conditions. A technical article in a serious Western technical magazine, giving a Western expert's experiences of a visit to the East, will provide the best and most objective criticism. The managements of individual works should count on visits from Western experts by the end of 1955 and should take the necessary preliminary steps to prepare for them. It is hoped that these visits will lead to invitations to Eastern technicians to visit Western iron and steel works.

Coordination among the Satellites

4. For the past several years, the USSR stressed the importance of close coordination among the iron and steel industries of Hungary, Poland, and Czechoslovakia. Rumania was excluded from this action. Elaborate machinery was set up to secure this coordination; mixed commissions were formed and regular conferences held. Little headway was made, mainly because delegations were invariably headed by politicians and because of the bureaucratic nature of the machinery. However, personal contact among the experienced engineers, who are again in control in the countries concerned and who are experts, colleagues, and, in many cases, respected friends, makes coordination comparatively simple.
5. The Soviet chairman of the Moscow conference underlined the importance of achieving the required coordination by these personal contacts between experts, who could meet whenever the occasion demanded, without the bureaucratic need of convening conferences, and who would discuss and settle their problems on a technical, rather than political, basis. In furtherance of this coordination, there is a considerable exchange of experts between the countries concerned. This is not a new development; but the real cooperation which exists between the visiting and home experts, who have been freed from political and other extraneous influences, is new.

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6. There is also a marked change in the attitude of the Soviets toward visiting technicians. Formerly, visitors were shown very little, and their opinions were seldom sought on what they had seen. Today, the Soviets are prepared to disclose their more secret processes and are intensely interested in the reactions and opinions of visiting technicians. As an example of this changed attitude, Bela Simon, one of the best steel experts in Hungary, has just been invited to visit the Magnitogorsk Factory, where he is to inspect the manufacture of special steels, in particular a new titanium steel, the manufacture of which the Soviets have hitherto kept a jealously guarded secret.²

Hungary

7. The directives issued by the Soviet chairman of the Moscow Conference are in line with developments which started in Hungary at the beginning of 1955. Soviet experts, investigating the Hungarian iron and steel industry, have been repeatedly exasperated by the false statistics given to them by the "political" directors, and by the latter's lack of any real technical knowledge. The Soviets have come to rely increasingly on the advice and opinions of the deposed technicians and have exerted pressure to bring about their reinstatement.
8. Consequently, during the period January to May 1955, control of the Hungarian iron and steel industry has been gradually passing back into the hands of the older, experienced engineers. Political upstarts, such as Janos Sebestyen and Mihaly Hamor, have been removed. The former has been appointed Deputy Minister in the Ministry of Power, and the latter is now employed by one of the Foreign Trade undertakings.
9. This development has led to immediate improvements in the industry. The former rivalry between Diosgyor and Sztalinvaros, which had harmful effects on the industry as a whole prior to January 1955, has ended. These works are no longer headed by men motivated by personal and political considerations. Today, the works are in the hands of former colleagues and friends, members of an exclusive, small circle of "old guard" iron and steel engineers, far more concerned to assist than to compete with one another.
10. The reinstatement of old guard technicians does not mean that political control does not exist any more, but that the technical and political aspects are entirely separate. The technicians have a free hand in production and all technical questions and need fear no outside political interference. This free hand extends to the selection of personnel, so far as technical qualifications are concerned. The political organs will be wary of exercising control, as it is now possible that they will be held responsible for unwarranted interference.
11. The reinstated technicians believe that they are entitled to the credit for ousting the political newcomers. In their opinion, the development resulted from their united front, their refusal to co-operate with the new men, and their passive resistance through disinterested subservience. Recent indications that their passive resistance might become more active may well, they believe, have hastened the development.
12. The extent to which the old guard technicians have gained the upper hand today is proved by the number of so-called political undesirables who have been reinstated. For example, Engineer Weigl (fnu), who was pushed very much into the background as a result of his former fanatical Nazi sympathies, is today head of the Martin Furnace Department of Diosgyor.

Hungarian Steel Production

13. The actual production figures in Hungary today, i.e., excluding rejects, have reached, if not surpassed, the peak of the prewar level. Figures for blast furnace products are approximately:

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Diosgyor	2 x 250 tons per day:	15-18,000 tons per month
Ózd		30,000 tons per month
Sztalinvaros	700 tons per day:	20,000 tons per month

Iron Ore Supplies

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